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## IMPORTANT

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Digital Licensing (Group) Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **China Digital Licensing (Group) Limited** **中國數碼版權（集團）有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8175)

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**VEDA | CAPITAL**  
**智 略 資 本**

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The notice convening the extraordinary general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 19 January 2011 at 11:00 a.m. is set out on pages 15 to 18 of this circular.

A letter from the board of directors of China Digital Licensing (Group) Limited set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee (as defined herein) and a letter from Veda Capital Limited containing their recommendations and advices are set out on page 8 and pages 9 to 14 of this circular, respectively.

A form of proxy for the extraordinary general meeting of the Company is enclosed with this circular. Whether or not you intend to attend and vote at the extraordinary general meeting of the Company, you are requested to complete the enclosed form of proxy and return it in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting of the Company should you so wish.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the Latest Company Announcements page for at least 7 days from the date of its posting and on the website of the company at [www.chinadigitallic.com](http://www.chinadigitallic.com).*

3 January 2011

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of potential risks of investing in such companies and should make a decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## CONTENTS

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|  | <i>Page</i> |
|--|-------------|
| <b>DEFINITIONS</b> .....                                 | 1           |
| <b>LETTER FROM THE BOARD</b> .....                       | 3           |
| <b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> ..... | 8           |
| <b>LETTER FROM VEDA CAPITAL</b> .....                    | 9           |
| <b>NOTICE OF THE EXTRAORDINARY GENERAL MEETING</b> ..... | 15          |

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

|                               |   |
|-------------------------------|---|
| “Articles of Association”     | the articles of association of the Company  |
| “associates”                  | has the meaning ascribed thereto in the GEM Listing Rules   |
| “Board”                       | the board of Directors  |
| “Company”                     | China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM  |
| “Director(s)”                 | the director(s) of the Company  |
| “EGM”                         | the extraordinary general meeting of the Shareholders of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 19 January 2011 at 11:00 a.m., a notice of which is set out on pages 15 to 18 of this circular                           |
| “GEM”                         | the Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules”           | the Rules Governing the Listing of Securities on GEM  |
| “General Mandate”             | the general mandate granted to the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of annual general meeting of the Company held on 14 May 2010   |
| “Group”                       | the Company and its subsidiaries  |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Independent Board Committee” | an independent committee of the Board comprising Mr. Kwok Chi Sun, Vincent, Mr. Lee Kun Hung and Mr. Wong Tak Shing, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof |

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## DEFINITIONS

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| “Independent Financial Adviser”<br>or “Veda Capital” | Veda Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof |
| “Independent Shareholders”                           | shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as define under the GEM Listing Rules)   |
| “Latest Practicable Date”                            | 30 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein   |
| “Notice”   | the notice convening the EGM   |
| “Refreshed General Mandate”                          | the general mandate which, if approved, would authorise the Directors to exercise the power of the Company to issue and otherwise deal with additional securities up to 20% of the Company’s issued share capital as at the date of the EGM  |
| “Share(s)”   | ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company   |
| “Share Subscription”                                 | share subscription agreements dated 10 August 2010 in relation to subscription of 103,500,000 New shares under the General Mandate, which were completed on 2 September 2010   |
| “Shareholder(s)”                                     | holder(s) of the Shares  |
| “Stock Exchange”                                     | The Stock Exchange of Hong Kong Limited  |
| “Warrant Subscription”                               | warrant subscription agreements dated 10 August 2010 in relation to the private placing of 310,500,000 non-listed warrants under the General Mandate, which were completed on 2 September 2010   |
| “%”  | per cent.  |

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LETTER FROM THE BOARD

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**China Digital Licensing (Group) Limited**  
**中國數碼版權（集團）有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8175)

*Executive Directors:*

Mr. Pang Hong Tao  
Mr. Hsu Tung Sheng  
Ms. Au Shui Ming, Anna

*Non-executive Director:*

Mr. Ma She Shing, Albert

*Independent non-executive Directors:*

Mr. Kwok Chi Sun, Vincent  
Mr. Lee Kun Hung  
Mr. Wong Tak Shing

*Registered Office:*

Caledonian Bank & Trust Limited  
Caledonian House  
P.O. Box 1043, George Town  
Grand Cayman, Cayman Islands

*Principal place*

*of business in Hong Kong:*  
Unit 1601, Ruttonjee Hosue  
Ruttonjee Centre  
11 Duddell Street  
Central, Hong Kong

3 January 2011

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ISSUE SHARES AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with, among others, (i) information regarding resolutions to be proposed at the EGM, which, upon approval, would enable the Company to grant the Refreshed General Mandate; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Veda Capital on the Refreshed General Mandate; and (iv) a notice of the EGM.

The Independent Board Committee, comprising Mr. Kwok Chi Sun, Vincent, Mr. Lee Kun Hung and Mr. Wong Tak Shing, has been constituted to advise the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof. Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof.

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## LETTER FROM THE BOARD

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### FUND RAISING ACTIVITY SINCE THE LAST ANNUAL GENERAL MEETING OF THE COMPANY HELD ON 14 MAY 2010

Pursuant to Share Subscription on 10 August 2010, the Company has placed 103,500,000 new Shares at an issue price of HK\$0.272 per share. The net proceeds of approximately HK\$27,000,000 from the Share Placing has not been utilised and placed in the bank of the Group as at the Latest Practicable Date and is intended to be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

On 10 August 2010, pursuant to the Warrant Subscription, 310,500,000 non-listed warrants were placed by the Company at a warrant issue price of HK\$0.001 each, conferring rights to holders of non-listed warrants to subscribe for up to 310,500,000 Shares at a subscription price of HK\$0.272 per Share. The net proceeds of approximately HK\$200,000 from the Warrant Subscription has not been utilised as at the Latest Practicable Date and is intended to be applied as general working capital of the Group.

As at the Latest Practicable Date, the net proceeds of approximately HK\$5,440,000 from the exercise of 20,000,000 warrants under the Warrant Subscription has not been utilized and placed in the bank of the Group and is intended to be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

Both the Share Subscription and the Warrant Subscription were completed on 2 September 2010.

Save as disclosed above, there are no further fund raising activities by the Company since the last annual general meeting of the Company held on 14 May 2010.

### PROPOSED REFRESHMENT OF THE GENERAL MANDATE

On 14 May 2010, the General Mandate was given to the Directors to exercise the powers of the Company to issue up to 414,317,128 Shares, representing 20% of the issued share capital of the Company as at the date thereof. Such general mandate has not been refreshed since it was granted and, after completion of the Share Subscription and the Warrant Subscription on 2 September 2010, 414,000,000 Shares out of the General Mandate (approximately 99.92%) has been substantially utilised. As at the Latest Practicable Date, the balance of the General Mandate comprised 317,128 Shares. Under this circumstances and in order to provide the Company with general working capital and/or flexibility to further fund the business development when opportunities are identified. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Refreshed General Mandate to issue Shares not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant resolution; and

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## LETTER FROM THE BOARD

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- (ii) the Refreshed General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the annual general meeting of the Company held on 14 May 2010.

If approved by the Independent Shareholders at the EGM, such Refreshed General Mandate will authorise the Directors to allot and issue securities up to 20% of the Shares then in issue on the date of the EGM, plus the number of Shares repurchased by the Company pursuant to the repurchase mandate granted at the last annual general meeting of the Company on 14 May 2010.

As at the Latest Practicable Date, the Company has no concrete plan to utilize the Refreshed General Mandate.

Directors consider that, although there is no immediate needs for further funding as at the Latest Practicable Date, the grant of the Refreshed General Mandate and any extension thereof is essential for the Group to respond to the market promptly in the event that the Group identifies suitable investment opportunities which may need further funding or attractive terms for investment in the Shares are to be offered by potential investors. In view of the fact that the General Mandate has almost been utilized and will not be refreshed until the next annual general meeting of the Company, the Refreshed General Mandate and any extension thereof provides the Company a more simple and less lead time process to respond to the market and capture fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

As at the Latest Practicable Date, there were 2,195,085,643 Shares in issue. If the Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, up to 439,017,128 new Shares, representing 20% of the existing 2,195,085,643 issued Shares as of the Latest Practicable Date could be allotted and issued by the Company thereunder. Any issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

The Refreshed General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next general meeting of the Company is required to be held by the law of Cayman Islands or the Articles of Associations; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their Associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the EGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and the non-executive Director of the Company and their respective associates



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## LETTER FROM THE BOARD

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(to the extent they hold any Share at the time of the EGM) would be required to abstain from voting in favour at the EGM in respect of the grant of the Refreshed General Mandate and any extension thereof. Mr. Pang Hong Tao, Ms. Au Shui Ming, Anna, Mr. Hsu Tung Sheng and Mr. Ma She Shing, Albert who are interested in 42,800,000 Shares (representing approximately 1.95% of the total issued share capital of the Company), 54,500,000 Shares (representing approximately 2.48% of the total issued share capital of the Company) 19,000,000 Shares (representing approximately 0.87% of the total issued share capital of the Company) and 28,870,000 Shares (representing approximately 1.32% of the total issued share capital of the Company) respectively as at the Latest Practicable Date and their respective associates will abstain from voting in favour of the resolutions to be proposed at the EGM in relation to approval of the Refreshed General Mandate and any extension thereof. Any vote of the Independent Shareholders at the EGM will be taken by poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates had indicated that they have no intention to vote against the resolution(s) to grant the Refreshed General Mandate and any extension thereof at the EGM.

An announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of the voting results.

### RECOMMENDATIONS

The Directors consider that the grant of the Refreshed General Mandate and any extension thereof are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of Veda Capital, considers that the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the grant of the Refreshed General Mandate and any extension thereof.

Your attention is drawn to the recommendation of the Independent Board Committee (as set out on page 8 of this circular) and advice of Veda Capital (as set out on pages 9 to 14 of this circular) regarding the grant of the Refreshed General Mandate and any extension thereof.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

The Notice convening the EGM is set out on pages 15 to 18 of this circular. At the EGM, ordinary resolutions will be proposed to approve the proposed grant of the Refreshed General Mandate and any extension thereof.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to present at the EGM, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all the resolutions proposed to be approved at a general meeting must be taken by poll. An announcement on the results of the EGM will be made by the Company after the EGM.

Yours faithfully,  
By order of the board of directors of  
**China Digital Licensing (Group) Limited**  
**Pang Hong Tao**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**China Digital Licensing (Group) Limited**  
**中國數碼版權（集團）有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8175)

3 January 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

We refer to the circular of the Company dated 3 January 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise required.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the grant of the Refreshed General Mandate and any extension thereof and to make recommendations to the Independent Shareholders.

We have considered whether the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned. Veda Capital has been appointed as the Independent Financial Adviser to advise us in respect of the above matters.

We wish to draw your attention to the letter from the Board and the letter from Veda Capital as set out in the Circular.

Having considered the terms of the grant of Refreshed General Mandate and any extension thereof and the independent advice of Veda Capital as set out on pages 3 to 7 and pages 9 to 14 of the Circular, we consider that the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Refreshed General Mandate and any extension thereof are in the interests of the Company and the Shareholders as a whole. On this basis, we recommend that the Independent Shareholders to vote in favour of the resolutions be proposed at the EGM to approve the grant of the Refreshed General Mandate and any extension thereof.

Yours faithfully,

For and on behalf of the Independent Board Committee of

**China Digital Licensing (Group) Limited**

**Mr. Wong Tak Shing**  
*Independent non-executive  
Director*

**Mr. Lee Kun Hung**  
*Independent non-executive  
Director*

**Mr. Kwok Chi Sun, Vincent**  
*Independent non-executive  
Director*

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## LETTER FROM VEDA CAPITAL

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*The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandate and any extension thereof, which has been prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

**Veda Capital Limited**  
Suite 3214, 32/F., COSCO Tower  
183 Queen's Road Central  
Hong Kong

3 January 2011

*To the Independent Board Committee and the Independent Shareholders of  
China Digital Licensing (Group) Limited*

Dear Sir or Madam,

### **REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

#### **INTRODUCTION**

We refer to the circular dated 3 January 2011 issued by the Company to the Shareholders of which this letter forms part (the “**Circular**”) and our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandate and any extension thereof, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the Circular. Capitalised terms used in this letter, unless the context otherwise requires, shall have the same meanings ascribed to them in the Circular.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their Associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the EGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and the non-executive Director of the Company and their respective associates (to the extent they hold any Share at the time of the EGM) would be required to abstain from voting in favour at the EGM in respect of the grant of the Refreshed General Mandate and any extension thereof. Mr. Pang Hong Tao, Ms. Au Shui Ming, Anna, Mr. Hsu Tung Sheng and Mr. Ma She Shing, Albert who are interested in 42,800,000 Shares (representing approximately 1.95% of the total issued share capital of the Company), 54,500,000 Shares (representing approximately 2.48% of the total issued share capital of the Company) 19,000,000 Shares (representing approximately 0.87% of the total issued share capital of the Company) and 28,870,000 Shares (representing approximately 1.32% of the total issued share capital of the Company) respectively as at the Latest Practicable Date and their respective associates will abstain from voting in favour of the resolutions to be proposed at the EGM in relation to approval of the Refreshed General Mandate and any extension thereof. Any vote of the Independent Shareholders at the EGM will be taken by poll.

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## LETTER FROM VEDA CAPITAL

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The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the grant of the Refreshed General Mandate.

### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true at the date of the EGM.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the grant of the Refreshed General Mandate, we have taken into consideration the following principal factors and reasons:

#### **Background and reasons for the grant of the Refreshed General Mandate**

The Group is currently engaged in the provision of digital copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as online entertainment and media related items) through Far Glory Limited and its subsidiaries. The Group is also engaged in e-learning business.

As set out in the Board Letter, on 14 May 2010, the General Mandate was given to the Directors to exercise the powers of the Company to issue up to 414,317,128 Shares, representing 20% of the issued share capital of the Company as at the date thereof. Such general mandate has not been refreshed since it was granted and, after completion of the Share Subscription and the Warrant Subscription on 2 September 2010, 414,000,000 Shares out of the General Mandate (approximately 99.92%) has been substantially utilised. As at the Latest Practicable Date, the balance of the General Mandate comprised 317,128 Shares. Under this circumstances and in

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## LETTER FROM VEDA CAPITAL

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order to provide the Company with general working capital and/or flexibility to further fund the business development when opportunities are identified. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders that: (i) the Directors be granted the Refreshed General Mandate to issue Shares not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant resolution; and (ii) the Refreshed General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the annual general meeting of the Company held on 14 May 2010.

As at the Latest Practicable Date, there were 2,195,085,643 Shares in issue. If the Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, up to 439,017,128 new Shares, representing 20% of the existing 2,195,085,643 issued Shares as of the Latest Practicable Date could be allotted and issued by the Company thereunder. As at the Latest Practicable Date, the Company has no concrete plan to utilize the Refreshed General Mandate.

As set out in the Board Letter, the Directors consider that, although there is no immediate needs for further funding as at the Latest Practicable Date, the grant of the Refreshed General Mandate and any extension thereof is essential for the Group to respond to the market promptly in the event that the Group identifies suitable investment opportunities which may need further funding or attractive terms for investment in the Shares are to be offered by potential investors. In view of the fact that the General Mandate has almost been utilized and will not be refreshed until the next annual general meeting of the Company, the Refreshed General Mandate and any extension thereof provides the Company a more simple and less lead time process to respond to the market and capture fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

As noted from the interim report of the Company for the six months ended 30 June 2010 (the “**IR 2010**”), the Group has recorded cash and bank balances of approximately HK\$43.76 million as at 30 June 2010. As noted from the third quarterly report 2010 of the Company that the Group has provided a loan facility to Far Glory Limited amounted to approximately HK\$40 million. As advised by the Company, Far Glory Limited has drawdown approximately HK\$31 million from such facility since 30 June 2010 up to the Latest Practicable Date. As noted from the Board Letter, the net proceeds from (i) the Share Subscription of approximately HK\$27.00 million has not been utilised and placed in the bank of the Group as at the Latest Practicable Date and is intended to be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group; (ii) the Warrant Subscription of approximately HK\$0.20 million has not been utilised as at the Latest Practicable Date and is intended to be applied as general working capital of the Group; and (iii) the exercise of 20,000,000 warrants under the Warrant Subscription has not been utilized and placed in the bank of the Group and is intended to be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

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## LETTER FROM VEDA CAPITAL

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We are aware the net proceeds from the Share Subscription and the Warrant Subscription have not been utilised as at the Latest Practicable Date, however, having considered (i) the General Mandate has almost been fully utilized as a result of the Share Subscription and the Warrant Subscription; (ii) the Refreshed General Mandate can enhance the financial flexibility necessary for the Group to raise funds by equity financing for future business development and to strengthen the capital base and financial position of the Company in particular after reduction of cash position upon drawdown from the loan facility provided by the Company to Far Glory Limited; and (iii) there is no certainty that existing cash and facility resources will be adequate for any appropriate investment that may be identified by the Company in the future, additional funding may still be needed in a timely manner when necessary for financing future investments should suitable investment opportunities arise given that investment decisions may have to be made immediately; and (iv) the Refreshed General Mandate will provide a financial flexibility to the Company to raise capital in a simpler and less lead time process and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner when suitable opportunities arise, we consider the grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

### **Other financing alternatives**

As debt financing may incur interest burden to the Group, the Directors consider that equity financing such as issuance of new Shares for cash or equity swaps may be appropriate means to fund the potential investments and/or acquisitions and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market conditions. The Directors will also consider other financing methods such as debt financing or internal cash resources to fund further business development of the Company, if appropriate, after taking into consideration the financial position, capital structure and cost of funding of the Group as well as the then market condition.

Having considered that (i) debt financing may incur interest burden to the Group; (ii) rights issue or open offer may take a longer time to complete while fund raising exercise pursuant to general mandate provides the Company a simpler and less lead time process than other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner; and (iii) the Refreshed General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the grant of the Refreshed General Mandate will be in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM VEDA CAPITAL

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### Potential dilution to shareholdings of the Independent Shareholders

Set out below is a table showing the shareholdings of the Company as at the Latest Practicable Date and, for illustrative purpose, the potential dilution effect on the shareholdings upon full utilization of the Refreshed General Mandate assuming no Shares are issued or repurchased during the period between the Latest Practicable Date and the date of the EGM:

|   | As at the<br>Latest Practicable Date |               | Immediately upon<br>full utilization of the<br>Refreshed General Mandate |               |
|---|--------------------------------------|---------------|--|---------------|
|   | <i>Number of<br/>Shares</i>          | %             | <i>Number of<br/>Shares</i>  | %             |
| Mr. Pang Hong Tao<br><i>(Note 1)</i>  | 42,800,000                           | 1.95          | 42,800,000   | 1.62          |
| Mr. Hsu Tung Sheng<br><i>(Note 1)</i>   | 19,000,000                           | 0.87          | 19,000,000   | 0.72          |
| Mr. Ma She Shing, Albert<br><i>(Note 2)</i>   | 28,870,000                           | 1.32          | 28,870,000   | 1.10          |
| Ms. Au Shui Ming, Anna<br><i>(Note 1)</i>   | 54,500,000                           | 2.48          | 54,500,000   | 2.07          |
| Independent Shareholders  | 2,049,915,643                        | 93.38         | 2,049,915,643  | 77.82         |
| Additional Shareholders<br>upon full utilization of<br>the Refreshed General<br>Mandate | –                                    | –             | 439,017,128  | 16.67         |
| Total:  | <u>2,195,085,643</u>                 | <u>100.00</u> | <u>2,634,102,771</u>   | <u>100.00</u> |

*Notes:*

1. Executive Directors
2. Non-executive Director



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## LETTER FROM VEDA CAPITAL

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As illustrated in the table above, the existing aggregate shareholding of the Independent Shareholders will decrease from 93.39% as at the Latest Practicable Date to approximately 77.82% upon full utilization of the Refreshed General Mandate. Taking into account that (i) the Refreshed General Mandate will provide an alternative to increase the amount of capital which may be raised under the Refreshed General Mandate; (ii) the Refreshed General Mandate will provide more options of financing to the Group for further development of its business as well as in other potential future investment and/or acquisitions as and when such opportunities arise; and (iii) the fact that the shareholdings of all Shareholders will be diluted proportionately to their respective shareholding upon any utilization of the Refreshed General Mandate, we consider such dilution or potential dilution to shareholdings of the Independent Shareholders to be justifiable.

### RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the view that the grant of the Refreshed General Mandate is in the interest of the Company and the Independent Shareholders as a whole, and is fair and reasonable. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the grant of the Refreshed General Mandate and any extension thereof to be proposed at the EGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the Refreshed General Mandate is utilized.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**  
*Chairman*

**Julisa Fong**  
*Managing Director*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# China Digital Licensing (Group) Limited 中國數碼版權（集團）有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8175)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (“EGM”) of China Digital Licensing (Group) Limited (the “**Company**”) will be held on Wednesday, 19 January 2011 at 11:00 a.m. at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, for the purpose of considering and if thought fit, passing with or without amendments, the following resolutions of the Company:–

### ORDINARY RESOLUTIONS

1. **“THAT**, to the extent not already exercised, the mandate to issue shares of the Company given to the directors (the “**Directors**”) of the Company at the annual general meeting (the “**AGM**”) of the Company held on 14 May 2010 be and is hereby revoked and replaced by the mandate **THAT**:
  - (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares (“**Shares**”) in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the grant or exercise of any option under the Share Option Scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/ or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution; and
- (ii) (if the Directors are so authorized by a separate ordinary resolution of the Shareholders) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution).

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution:

- (aa) “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or any other applicable laws of the Cayman Islands to be held; and
  - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (bb) “Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their shareholdings (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).
2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”

Yours faithfully,  
For and on behalf of the board of directors of  
**China Digital Licensing (Group) Limited**  
**Pang Hong Tao**  
*Chairman*

Hong Kong, 3 January 2011

*Registered office:*  
Caledonian Bank & Trust Limited  
Caledonian House  
P.O. Box 1043, George Town  
Grand Cayman, Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
Unit 1601, Ruttonjee House  
Ruttonjee Centre  
11 Duddell Street  
Central, Hong Kong

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.